GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:133
ANSWERED ON:08.03.2002
FALL IN PRICES OF TEA
BHUMA NAGI REDDY

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Tea industry is facing severe crisis due to steep fall in prices;

(b) if so, the price of tea in 1998 and at present;

(c) whether the cost of production has gone up during these years; and

(d) if so, the steps being taken to bring about improvement in the situation?

Answer

MINISTER OF COMMERCE AND INDUSTRY (SHRI MURASOLI MARAN)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 133 TO BE ANSWERED ON 8.3 REGARDING FALL IN PRICES OF TEA

(a) to (d): Yes, Sir. The average prices of tea in India registered a decline during the years 1999-2001 as compared to 1998. During 1999 the decline in prices was due to substantial set back in prices of tea in South India, while the North Indian tea prices were at a comfortable position over 1998. During 2000 and 2001 the prices of tea both in North and South India registered a decline over 1998, as a result of which the producers of tea in all the regions suffered heavily. The details of prices of tea in India are given below:

REGIONWISE PRICES OF TEA IN INDIA (Rs./Kg.)

Year	North India	South India	All India	(+) or (-) over 1998 (in%)
1998	80.22	68.78	76.43	
1999	80.57	57.10	72.79	(-) 4.76
2000	70.36	44.64	61.71	(-) 19.26
2001	69.66	45.87	61.25	(-) 19.86

The cost of production of tea in India has gone up due to increase in input costs. The details are given below:

ESTIMATED COST OF PRODUCTION OF TEA IN INDIA (Rs./Kg.)

States	1998-99	2000-2001	(+) or (-)
Assam Valley	54.00	65.00	(+) 11.00
Cachar	49.00	55.00	(+) 6.00
Dooars	53.00	62.50	(+) 9.50
Terai	53.00	62.50	(+) 9.50
Darjeeling	130.00	135.00	(+) 5.00
Tripura	46.00	55.00	(+) 9.00
South India	50.00	55.00	(+) 5.00

In order to help tea growers and bring about improvement in the price situation, the Government has taken various steps which include:

- Increase in the basic customs duty on import of tea from 70% to 100% as announced in the Budget of 2002-2003.

- Reduction in Excise duty on tea from Rs. 2 per Kg. to Rs. 1 per Kg. in the Budget 2002-2003.

- Increase in the allowance under Section 33 AB of Income Tax Act from 20% to 40% in the Budget 2001-02.

- Modification of the Tea Marketing (Control) Order 1984 to remove the condition of obligatory sale of 75% of tea production through public tea auctions, thus giving freedom to the producers of tea to sell any quantity of tea through public auctions.

- Ban on sale of tea in the Domestic Tariff Area by 100% Export Oriented Units (EOUs) and units in Export Processing Zones (EPZs).

- Introduction of a factory upgradation Scheme by the Tea Board to encourage production of good quality orthodox tea required for export markets.

- Introduction of a Scheme for providing financial assistance to the exporters for meeting part of the cost of handling, packaging, transport/freight charges, to help them become competitive in the international markets.

- Launching of a Quality Upgradation Programme by the Tea Board for improving the quality of tea manufactured in the small sector.

- Launching of a Generic promotion campaign for improving the consumption of tea within the country.

- Formulation of a medium term export strategy in consultation with M/s Accenture to boost Indian exports of tea over the next five years.